



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BREATHITT COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

**BREATHITT COUNTY**  
**ROBERT E. CORNETT, COUNTY JUDGE/EXECUTIVE**  
**LEWIS H. WARRIX, FORMER COUNTY JUDGE/EXECUTIVE**  
**FISCAL COURT AUDIT**  
**FISCAL YEAR ENDED JUNE 30, 1999**

In the past, the county has had problems meeting debt obligations; however, for the June 30, 1999 fiscal year, they meet all outstanding debt obligations.

The county had 16 budget amendments for fiscal year 1999 and all appear to be in compliance with the Department for Local Government's standards.

**The following comments are included in the audit report:**

- The County Should Follow Proper Bidding Procedures
- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Has A Lack Of Adequate Segregation of Accounting Duties



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert E. Cornett, Breathitt County Judge/Executive

Honorable Lewis H. Warrix, Former Breathitt County Judge/Executive

Members of the Breathitt County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Breathitt County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Breathitt County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Breathitt County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Breathitt County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.





To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert E. Cornett, Breathitt County Judge/Executive

Lewis H. Warrix, Former Breathitt County Judge/Executive

Members of the Breathitt County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Breathitt County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Should Follow Proper Bidding Procedures
- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Has A Lack Of Adequate Segregation of Accounting Duties

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2000 on our consideration of Breathitt County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
June 20, 2000

BREATHITT COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Robert E. Cornett	County Judge/Executive
Michael Stidham	County Attorney
Tony Watts	County Clerk
Thomas E. Howard	Circuit Court Clerk
John L. Turner	Sheriff
Greg Hollon	Jailer
Irvin Allen	Property Valuation Administrator
Orlena Faye Miller	County Treasurer
Matthew Hollon	Coroner
Gary Taulbee	Magistrate
George Herald	Magistrate
James Combs	Magistrate
James Turner	Magistrate



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



BREATHITT COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 279,957
Road and Bridge Fund:	
Cash	185,154
Jail Fund:	
Cash	10,563
Local Government Economic Assistance Fund:	
Cash	156,243
Solid Waste Fund:	
Cash	8,010
911 Fund:	
Cash	40,556
Capital Projects Fund:	
Cash	644
Voted Courthouse Bond Sinking Fund:	
Cash	419
Nonvoted Bond Sinking Fund:	
Cash	259
Local Government Economic Development Fund:	
Cash	610
Public Properties Corporation:	
1994 Road Bond Sinking Fund Account - Cash	142,136
1996 Jail Bond Sinking Fund Account - Cash	105,835
Payroll Account - Cash	7,526

Other Resources

Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for Road Bond Payments	1,022,864
Amounts to be Provided in Future Years for Jail Bond Payments	324,165
	<hr/>
Total Assets and Other Resources	\$ 2,287,941
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

BREATHITT COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 1999  
 (Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Bonds Not Matured (Note 5)	\$ 1,165,000
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Bonds Not Matured (Note 5)	430,000
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Payroll Account Liabilities	7,526
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Fund Balances

Reserved:

Voted Courthouse Bond Sinking Fund	419
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Nonvoted Bond Sinking Fund	259
----------------------------	-----

Unreserved:

General Fund	279,957
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Road and Bridge Fund	185,154
----------------------	---------

Jail Fund	10,563
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Local Government Economic Assistance Fund	156,243
---	---------

Solid Waste Fund	8,010
------------------	-------

911 Fund	40,556
----------	--------

Capital Projects Fund	644
-----------------------	-----

Local Government Economic Development Fund	610
--	-----

Total Liabilities and Fund Balances	<u>\$ 2,287,941</u>
-------------------------------------	---------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES



BREATHITT COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,133,299	\$ 3,292,542	\$ 1,835,664	\$ 69,979
Transfers In	549,637			301,000
Total Cash Receipts	<u>\$ 6,682,936</u>	<u>\$ 3,292,542</u>	<u>\$ 1,835,664</u>	<u>\$ 370,979</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,247,705	\$ 2,771,251	\$ 1,722,531	\$ 336,410
Schedule of Unbudgeted Expenditures	260,247			
Transfers Out	549,637	171,000	216,000	32,637
Bonds:				
Principal Paid	140,000			
Interest Paid	110,173			
Borrowed Money Repaid	102,847	102,847		
Total Cash Disbursements	<u>\$ 6,410,609</u>	<u>\$ 3,045,098</u>	<u>\$ 1,938,531</u>	<u>\$ 369,047</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 272,327	\$ 247,444	\$ (102,867)	\$ 1,932
Cash Balance - July 1, 1998	658,059	32,513	288,021	8,631
Cash Balance - June 30, 1999	<u>\$ 930,386</u>	<u>\$ 279,957</u>	<u>\$ 185,154</u>	<u>\$ 10,563</u>

The accompanying notes are an integral part of the financial statements.

BREATHITT COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Solid Waste Fund	911 Fund	Capital Projects Fund	Voted Courthouse Bond Sinking Fund
\$ 408,039	\$ 7,000	\$ 130,832	\$ 118,004	\$ 8	\$
\$ 408,039	\$ 7,000	\$ 130,832	\$ 118,004	\$ 8	\$ 0
\$ 169,296	\$ 7,000	\$ 124,747	\$ 116,470	\$	\$
130,000					
\$ 299,296	\$ 7,000	\$ 124,747	\$ 116,470	\$ 0	\$ 0
\$ 108,743	\$	\$ 6,085	\$ 1,534	\$ 8	\$
47,500		1,925	39,022	636	419
\$ 156,243	\$ 0	\$ 8,010	\$ 40,556	\$ 644	\$ 419

The accompanying notes are an integral part of the financial statements.

BREATHITT COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Nonvoted Bond Sinking Fund	Local Government Economic Development Fund	Public Properties Corporation Bond Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$	\$ 260,247	\$ 10,984
Transfers In			248,637
Total Cash Receipts	\$ 0	\$ 260,247	\$ 259,621
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$
Schedule of Unbudgeted Expenditures		260,247	
Transfers Out			
Bonds:			
Principal Paid			140,000
Interest Paid			110,173
Borrowed Money Repaid			
Total Cash Disbursements	\$ 0	\$ 260,247	\$ 250,173
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	\$	\$ 9,448
Cash Balance - July 1, 1998	259	610	238,523
Cash Balance - June 30, 1999	\$ 259	\$ 610	\$ 247,971

The accompanying notes are an integral part of the financial statements.

BREATHITT COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Breathitt County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Breathitt County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

BREATHITT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1999, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary on the bond. However, as of December 17, 1998, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$2,066,832 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

BREATHITT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 1999  
 (Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of December 17, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 500,000
Uncollateralized and uninsured	<u>2,066,832</u>
Total	<u><u>\$ 2,566,832</u></u>

Note 4. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Loader	4/1/1996	4/1/2000	Not Available	\$ 17,434
1999 Jeep Cherokee	10/27/1998	10/26/1999	6.66%	16,496
Grader	12/9/1998	12/9/2003	5.90%	106,636
1999 Chevrolet Tahoe	1/8/1999	12/8/2002	6.75%	34,310

Note 5. Long-Term Debt

- A. The Public Properties Corporation Fund issued \$1,745,000 of Public Project Revenue Bonds dated June 1, 1994. Principal payments are due each year on October 1 in amounts indicated below. Interest on the bonds is payable each April 1 and October 1, beginning October 1994. Proceeds from the bond issue were used to retire the 1989 Bond Issue and the remainder was used for county road projects.

<u>Fiscal Year End</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2000	\$ 73,455	\$ 140,000
June 30, 2001	65,055	150,000
June 30, 2002	55,905	155,000
June 30, 2003	46,295	165,000
Thereafter	<u>73,275</u>	<u>555,000</u>
Totals	<u><u>\$ 313,985</u></u>	<u><u>\$ 1,165,000</u></u>

BREATHITT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 1999  
 (Continued)

Note 5. Long-Term Debt (Continued)

- B. The Public Properties Corporation issued \$445,000 of Public Project Revenue Bonds dated February 1, 1996. Principal payments are due each year on February 1 in the amounts indicated below. Interest on the bonds is payable each February 1 and August 1, beginning August 1, 1996. Proceeds from the bond issue are being used to finance the cost of renovation of the existing detention center.

Breathitt County Fiscal Court defaulted on the initial payment due on the jail bonds. This payment was subsequently made by the county and the county is currently meeting all its obligations in regards to this debt issue.

<u>Fiscal Year End</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2000	\$ 27,660	\$ 5,000
June 30, 2001	27,390	5,000
June 30, 2002	27,110	5,000
June 30, 2003	26,820	5,000
Thereafter	<u>234,320</u>	<u>410,000</u>
Totals	<u>\$ 343,300</u>	<u>\$ 430,000</u>

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





BREATHITT COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 6,862,096	\$ 3,292,542	\$ (3,569,554)
Road and Bridge Fund	1,835,262	1,835,664	402
Jail Fund	400,728	69,979	(330,749)
Local Government Economic Assistance Fund	207,875	408,039	200,164
Community Development Block Grant Fund	7,072	7,000	(72)
Solid Waste Fund	126,600	130,832	4,232
911 Fund	108,628	118,004	9,376
Totals	<u>\$ 9,548,261</u>	<u>\$ 5,862,060</u>	<u>\$ (3,686,201)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 9,548,261
Add: Budgeted Prior Year Surplus			<u>415,688</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 9,963,949</u>

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SCHEDULE OF OPERATING REVENUE

BREATHITT COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 352,763	\$ 352,763	\$	\$
Excess Fees	44,278	44,278		
County Clerk:				
Motor Vehicle Taxes	52,236	52,236		
Deed Transfer Tax	6,624	6,624		
Delinquent Taxes	19,644	19,644		
Excess Fees	11,522	11,522		
Occupational Employment Tax	754,267	754,267		
Totals	<u>\$ 1,241,334</u>	<u>\$ 1,241,334</u>	<u>\$ 0</u>	<u>\$ 0</u>

Federal Receipts - State Treasurer

Community Development Block Grants -				
River Care Community Home	\$ 7,000	\$	\$	\$
PRIDE Program Grant	20,000			
Disaster and Emergency Assistance				
Relief: Storm Clean-up	14,936		14,936	
Federal Disaster and Emergency Services/Emergency Management				
Agency Reimbursement	231,112		231,112	
Totals	<u>\$ 273,048</u>	<u>\$ 0</u>	<u>\$ 246,048</u>	<u>\$ 0</u>

Kentucky State Treasurer

Jail:				
Allotments	\$ 52,177	\$	\$	\$ 52,177
Medical Allotments	4,228			4,228
Driving Under The Influence Fees	3,664			3,664
County Road Aid	820,986		820,986	
Energy Recovery	18,374		18,374	
Truck License Distribution	161,449		161,449	

BREATHITT COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Solid Waste Fund	911 Fund	Capital Projects Fund	Local Government Economic Development Fund
\$	\$	\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$	\$ 7,000	\$ 20,000	\$	\$	\$
\$ 0	\$ 7,000	\$ 20,000	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$	\$	\$

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BREATHITT COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Public Properties Corporation Bond Fund
Revenue From Local Taxes <u>and Excess Fees</u>	
Sheriff:	
Taxes	\$
Excess Fees	
County Clerk:	
Motor Vehicle Taxes	
Deed Transfer Tax	
Delinquent Taxes	
Excess Fees	
Occupational Employment Tax	
Totals	<u>\$           0</u>

Federal Receipts - State Treasurer

Community Development Block Grants -	
River Care Community Home	\$
PRIDE Program Grant	
Disaster and Emergency Assistance	
Relief: Storm Clean-up	
Federal Disaster and Emergency Services/Emergency Management	
Agency Reimbursement	
Totals	<u>\$           0</u>

Kentucky State Treasurer

Jail:	
Allotments	\$
Medical Allotments	
Driving Under The Influence Fees	
County Road Aid	
Energy Recovery	
Truck License Distribution	



BREATHITT COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u> (Continued)				
State Surplus Funds	\$ 1,712,341	\$ 1,712,341	\$	\$
Election Expense Reimbursement	9,180	9,180		
Strip Mine Permits	72,666	72,666		
Courthouse Rental - Administrative				
Office of the Courts	47,570	47,570		
Refunds:				
Legal Process Tax	88	88		
Drivers License	1,361		1,361	
Severance Taxes:				
Coal	374,691			
Mineral	32,184			
Grants:				
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary	8,551	8,551		
Natural Resources Grant -				
Solid Waste Clean-up	46,000			
Road Maintenance	574,557		574,557	
Industrial Site Development	260,247			
Totals	<u>\$ 4,200,314</u>	<u>\$ 1,850,396</u>	<u>\$ 1,576,727</u>	<u>\$ 60,069</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 21,483	\$ 2,346	\$ 6,264	\$ 191
Circuit Court Clerk:				
Jail Cost	5,103			5,103
Bond Fees	400			400
Garbage Collection	64,767			
911 Telephone Surcharge	99,915			
Ambulance Lease	16,000	16,000		
Rental Proceeds	80,150	80,150		
Insurance Proceeds	65,575	65,575		
Telephone Commission	2,244			2,244
Miscellaneous	62,966	36,741	6,625	1,972
Totals	<u>\$ 418,603</u>	<u>\$ 200,812</u>	<u>\$ 12,889</u>	<u>\$ 9,910</u>
Total Operating Revenue	<u>\$ 6,133,299</u>	<u>\$ 3,292,542</u>	<u>\$ 1,835,664</u>	<u>\$ 69,979</u>

BREATHITT COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Solid Waste Fund	911 Fund	Capital Projects Fund	Local Government Economic Development Fund
\$	\$	\$	\$	\$	\$
374,691					
32,184					
		46,000			
					260,247
\$ 406,875	\$ 0	\$ 46,000	\$ 0	\$ 0	\$ 260,247
\$ 1,164	\$	\$ 65	\$ 461	\$ 8	\$
		64,767			
			99,915		
			17,628		
\$ 1,164	\$ 0	\$ 64,832	\$ 118,004	\$ 8	\$ 0
\$ 408,039	\$ 7,000	\$ 130,832	\$ 118,004	\$ 8	\$ 260,247

BREATHITT COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Public Properties Corporation Bond Fund
<hr/>	
<u>Kentucky State Treasurer</u>	
(Continued)	
State Surplus Funds	\$
Election Expense Reimbursement	
Strip Mine Permits	
Courthouse Rental - Administrative	
Office of the Courts	
Refunds:	
Legal Process Tax	
Drivers License	
Severance Taxes:	
Coal	
Mineral	
Grants:	
Disaster and Emergency	
Assistance Grant -	
Coordinator Salary	
Natural Resources Grant -	
Solid Waste Clean-up	
Road Maintenance	
Industrial Site Development	
	<hr/>
Totals	<hr/> \$ 0 <hr/>
 <u>Miscellaneous Revenue</u>	
Interest	\$ 10,984
Circuit Court Clerk:	
Jail Cost	
Bond Fees	
Garbage Collection	
911 Telephone Surcharge	
Ambulance Lease	
Rental Proceeds	
Insurance Proceeds	
Telephone Commission	
Miscellaneous	
	<hr/>
Totals	<hr/> \$ 10,984 <hr/>
Total Operating Revenue	<hr/> \$ 10,984 <hr/>

COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



BREATHITT COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 37,258	\$ 30,279	\$ 6,979
Deputy County Judge/Executive	11,000	10,000	1,000
Secretary	11,596	10,828	768
Office Materials and Supplies	5,300	4,839	461
Office of County Attorney:			
Salaries-			
County Attorney	15,543	14,719	824
Assistant County Attorney	11,154	7,787	3,367
Secretaries	11,710	11,076	634
Office of County Clerk:			
Deputies Salaries	1,231	1,231	
Other Expenses	6,500	6,435	65
Excess Fees Returned To Clerk	6,522	6,522	
Office of Sheriff:			
Tax Collection Reimbursement	22,750	22,750	
Petroleum	8,500	5,688	2,812
Equipment	10,000	9,453	547
Materials and Supplies	20,000	19,923	77
Excess Fees Returned to Sheriff	35,603	35,603	
Fiscal Court:			
Magistrates-			
Salaries	45,579	44,150	1,429
Legal Fees	14,500	12,929	1,571
Equipment	11,100	11,099	1
Insurance	55,900	55,891	9
Tax Collection Expenses	10,000	6,479	3,521
Travel	10,305	10,305	
Postage	1,800	1,480	320
Occupational Tax Refunds	18,314	18,314	
Miscellaneous	500	500	

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Property Valuation Administrator:			
New Equipment	\$ 13,000	\$ 12,541	\$ 459
Statutory Contribution	11,687	11,687	
Office of County Treasurer:			
Salaries-			
County Treasurer	18,474	17,521	953
Finance Officer	14,728	13,849	879
Bond	1,400	1,387	13
Office Materials and Supplies	4,320	3,108	1,212
Occupational License Tax Office:			
Salary	20,980	20,947	33
Office Supplies	4,325	4,301	24
County Law Library:			
Law Librarian Salary	1,200	1,200	
Elections:			
Per Diem-			
Election Commissioners	7,200	6,400	800
Election Officers	18,000	17,913	87
Board of Supervisors	400		400
Miscellaneous Expense	21,110	21,109	1
Courthouse:			
Custodial Salaries	68,000	66,060	1,940
Materials and Supplies	10,000	7,329	2,671
Renewals and Repairs	15,000	11,384	3,616
Travel	3,100	2,957	143
Utilities	53,000	48,530	4,470
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	12,000	10,987	1,013

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
Protection to Persons and Property (Continued)			
Disaster and Emergency Services:			
Director Salary	\$ 17,063	\$ 16,955	\$ 108
Materials and Supplies	1,400	1,048	352
Travel	400	323	77
Forestry Fire Protection:			
Kentucky State Treasurer	5,500	5,436	64
Office of Public Defender:			
Contribution	2,000	1,963	37
<u>General Health and Sanitation</u>			
Solid Waste:			
Clean-Up	21,100	21,092	8
Water Systems:			
Water	2,410	2,410	
<u>Social Services</u>			
Senior Citizens Program:			
Repairs	6,500	6,360	140
Utilities	7,000	6,864	136
<u>Recreation and Culture</u>			
Other Recreation Programs:			
Recreational Supplies and Equipment	53,050	53,050	
Other Cultural Programs:			
Construction Materials	17,341	17,341	



BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Airports</u>			
Operations and Maintenance:			
Supplies	\$ 2,400	\$ 671	\$ 1,729
Fuel	6,000	399	5,601
Utilities	6,900	6,805	95
<u>Debt Service</u>			
Borrowed Money:			
Interest	8,674	8,674	
Capital Projects			
Land	60,000	60,000	
Intergenerational Center	5,521,000	1,695,000	3,826,000
<u>Administration</u>			
General Services:			
Legal Advertising	25,000	18,670	6,330
Audit Services	25,000	12,708	12,292
Bonds	8,500	6,453	2,047
Memberships	28,000	27,488	512
Contingent Appropriations:			
Reserve for Budget Transfers	104,881		104,881
Fringe Benefits:			
County Contributions-			
Social Security	24,000	19,679	4,321
Retirement	45,000	44,637	363
Health Insurance	70,000	69,835	165
Worker's Compensation	4,000	4,000	
Unemployment Insurance	37,901	25,900	12,001
Total Operating Budget	\$ 6,791,609	\$ 2,771,251	\$ 4,020,358

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
Other Financing Uses:			
Borrowed Money			
Principal	\$ 103,000	\$ 102,847	\$ 153
Total General Fund	\$ 6,894,609	\$ 2,874,098	\$ 4,020,511
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive			
Salaries-			
County Judge/Executive	\$ 19,593	\$ 19,527	\$ 66
Deputy Judge/Executive	9,300	9,230	70
Secretary	5,304	4,760	544
Office of County Attorney:			
Salaries-			
County Attorney	8,007	7,925	82
Assistant County Attorney	9,346	9,112	234
Secretaries	6,517	6,457	60
Fiscal Court:			
Magistrates Salaries	22,708	21,352	1,356
Equipment	7,000	5,193	1,807
Insurance	34,000	29,393	4,607
Travel	4,896	3,465	1,431
Office of County Treasurer:			
Salaries-			
County Treasurer	16,186	16,144	42
Finance Officer	12,472	12,035	437
Supplies	3,180	2,029	1,151
<u>Transportation Facilities and Services</u>			
Road Facilities:			
Secretary Salary	16,000	5,908	10,092
Repairs	5,000	1,539	3,461

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
(Continued)			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 20,800	\$ 5,243	\$ 15,557
Road Maintenance:			
Salaries-			
Road Workers	234,726	233,952	774
Secretary Salary	8,397	8,349	48
Contracted Construction	409,173	381,381	27,792
Contracts With Vehicle Owners	30,000	17,900	12,100
Asphalt	493,279	492,224	1,055
Road Materials	203,578	159,462	44,116
Petroleum Products	18,000	13,431	4,569
Pipe	15,000	13,804	1,196
Equipment Repairs	98,000	96,533	1,467
Equipment Leases	43,000	42,683	317
County Garage:			
Utilities	5,000	4,701	299
Miscellaneous	500	320	180
<u>Administration</u>			
General Services:			
Auditing Services	10,000		10,000
Training	2,000		2,000
Contingent Appropriations:			
Reserve for Budget Transfers	20,435		20,435
Fringe Benefits:			
County Contributions-			
Retirement	31,500	29,840	1,660
Social Security	27,500	25,443	2,057
Health Insurance	28,200	25,903	2,297
Worker's Compensation	6,000	5,607	393
Unemployment Insurance	22,686	11,686	11,000

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
(Continued)			
Total Operating Budget	\$ 1,907,283	\$ 1,722,531	\$ 184,752
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	216,000	216,000	
Total Road and Bridge Fund	<u>\$ 2,123,283</u>	<u>\$ 1,938,531</u>	<u>\$ 184,752</u>
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 50,998	\$ 48,255	\$ 2,743
Jail Personnel	91,000	83,955	7,045
Association Dues	200		200
Operations-			
Building Repairs	2,100	2,024	76
Contracts with Other Counties	74,000	73,941	59
Food	42,500	42,198	302
Custodial Supplies	1,800	1,295	505
Jail Linens	2,000	525	1,475
Office Supplies	1,700	1,169	531
Prisoner Clothing	2,000	272	1,728
Prisoner Hygiene	1,500	426	1,074
Routine Medical	19,200	18,798	402
Transporting Prisoners to			
Other Counties	2,000	1,687	313
Housing Juveniles	48,800	30,122	18,678
Juveniles Medical	2,000		2,000
Utilities	10,900	10,082	818
Miscellaneous Operating Expense	500	417	83
General Services:			
Staff Training	600	595	5

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	\$ 861	\$	\$ 861
Fringe Benefits:			
County Contributions-			
Retirement	11,700	11,436	264
Social Security	10,000	9,213	787
Total Operating Budget	\$ 376,359	\$ 336,410	\$ 39,949
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	\$ 33,000	\$ 32,637	\$ 363
Total Jail Fund	\$ 409,359	\$ 369,047	\$ 40,312
 <u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of County Coroner:			
Coroner Salary	\$ 7,382	\$ 7,239	\$ 143
Autopsies	11,000	10,152	848
Economic Development:			
Appraisals	4,000	2,700	1,300
Other	16,600	6,965	9,635
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	8,840	7,480	1,360
Fuel	1,200	1,101	99
Other	1,000	797	203
Shelter Fees	12,000	12,000	

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>Recreation and Culture</u>			
County Museum:			
Director	\$ 9,227	\$ 8,051	\$ 1,176
Utilities	5,000	1,158	3,842
<u>Roads</u>			
Road Maintenance:			
Coal Haul Roads	159,909	105,827	54,082
<u>Airports</u>			
Airport Operations and Maintenance:			
Cleaning Supplies	2,400		2,400
Contingent Appropriations:			
Reserve for Budget Transfers	8,218		8,218
Fringe Benefits:			
County Contributions-			
Retirement	2,900	1,970	930
Social Security	2,500	1,656	844
Health Insurance			
Worker's Compensation	1,500	500	1,000
Unemployment Insurance	1,700	1,700	
Total Local Government Economic Assistance Fund	<u>\$ 255,376</u>	<u>\$ 169,296</u>	<u>\$ 86,080</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND			
Other Capital Projects:			
Buildings and Construction	<u>\$ 7,072</u>	<u>\$ 7,000</u>	<u>\$ 72</u>

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>SOLID WASTE FUND</u>			
<u>General Government</u>			
County Treasurer:			
Salaries:			
County Treasurer	\$ 1,800	\$ 1,736	\$ 64
Finance Officer	564	495	69
<u>General Health and Sanitation</u>			
Solid Waste Collection:			
Salaries:			
Solid Waste Officer Salary	23,980	23,915	65
Laborers	7,240	7,140	100
Clean-Ups	82,436	81,962	474
Office Supplies	600	583	17
Petroleum Products	1,841	1,841	
Repairs and Maintenance	1,000	716	284
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	3,000	2,863	137
Social Security	2,539	2,396	143
Worker's Compensation	1,000	500	500
Unemployment Insurance	600	600	
Total Solid Waste Fund	<u>\$ 126,600</u>	<u>\$ 124,747</u>	<u>\$ 1,853</u>
<u>911 FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Services:			
Salaries-			
Coordinator	\$ 16,640	\$ 16,556	\$ 84
Laborers	4,500	910	3,590
Contracts - Public Carriers	51,000	50,502	498
Supplies	35,000	33,510	1,490

BREATHITT COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>911 FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Emergency Services: (Continued)			
Postage	\$ 960	\$ 692	\$ 268
Travel	2,000	210	1,790
Utilities	3,800	3,316	484
Miscellaneous	500		500
Capital Outlay- Vehicles	9,555	6,611	2,944
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchases	2,445	2,445	
Contingent Appropriations:			
Reserve for Budget Transfers	19,050		19,050
Fringe Benefits:			
County Contributions-			
Retirement	1,200	951	249
Social Security	1,000	767	233
Total 911 Fund	<u>\$ 147,650</u>	<u>\$ 116,470</u>	<u>\$ 31,180</u>
Total Operating Budget - All Funds	\$ 9,604,877	\$ 5,240,705	\$ 4,364,172
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	249,000	248,637	363
Borrowed Money-			
Principal	103,000	102,847	153
TOTAL BUDGET - ALL FUNDS	<u>\$ 9,956,877</u>	<u>\$ 5,592,189</u>	<u>\$ 4,364,688</u>



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SCHEDULE OF UNBUDGETED EXPENDITURES



BREATHITT COUNTY  
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

<u>Expenditure Category</u>	Local Government Economic Development Fund
Breathitt County Industrial Foundation	<u>\$ 260,247</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Robert E. Cornett, Breathitt County Judge/Executive  
Honorable Lewis H. Warrix, Former Breathitt County Judge/Executive  
Members of the Breathitt County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Breathitt County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated June 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Breathitt County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Follow Proper Bidding Procedures
- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breathitt County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Breathitt County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The County Has A Lack Of Adequate Segregation of Accounting Duties



Honorable Robert E. Cornett, Breathitt County Judge/Executive  
Honorable Lewis H. Warrix, Former Breathitt County Judge/Executive  
Members of the Breathitt County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses:

- The County Has A Lack Of Adequate Segregation of Accounting Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 20, 2000

## COMMENTS AND RECOMMENDATIONS



BREATHITT COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

1. The County Should Follow Proper Bidding Procedures

The county did not provide documentation for bids on expenditures that exceed \$10,000. KRS 424.260 states that no city, county . . . may make a contract, lease, or other agreement for materials, supplies, equipment, or for contractual services other than professional, involving an expenditure of more than \$10,000 without first making newspaper advertisements for bids. We recommend that the county comply with KRS 424.260 and advertise for bids on all expenditures that meet the requirement of this statute.

*The Current County Judge's Response:*

*Please refer to the previous administration.*

*The Former County Judge's Response:*

*Thinks the grader purchase was an emergency and tried to obtain best price from all available sources.*

2. The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On December 17, 1998, \$2,066,832 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*The Current County Judge's Response:*

*This was unexpected money; however, we have in June 1999 entered into agreement with the bank.*

*The Former County Judge's Response:*

*Thinks this money came in the last part of my term and due to transition, no additional pledges were secured.*

BREATHITT COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1999  
(Continued)

REPORTABLE CONDITION AND MATERIAL WEAKNESS

1. The County Has A Lack Of Adequate Segregation of Accounting Duties

We noted the lack of an adequate segregation of accounting duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. The county treasurer has statutory authority to assume the role as custodian of assets, as well as recorder of transactions and preparer of the financial statements. Therefore, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition.

*Current County Judge's Response:*

*Due simply to lack of funds.*

*Former County Judge's Response:*

*Did the best we could do. Did segregate the purchase order from the accounting duties. Restricted by funds.*

PRIOR YEAR FINDINGS

- The County Did Not Have An Adequate Pledge Of Securities

CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

BREATHITT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999



**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**BREATHITT COUNTY FISCAL COURT**

The Breathitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

Robert Barnett

Name

County Judge/Executive

Oklena Gay Miller

Name

County Treasurer